

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 SP-02 STR-06 TRSE-00 LAB-04
SIL-01 OMB-01 L-03 IO-13 ITC-01 /068 W
-----130660 122346Z /73

R 122058Z JAN 78
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 4674
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS

C O N F I D E N T I A L VIENNA 00223

PARIS FOR OECD, BRUSSELS FOR USEC

E.O. 11652: GDS
TAGS: ETRD, EC, AU
SUBJECT: AUSTRIAN/EC STEEL DISCUSSIONS

REF: BRUSSELS 19583

1. NEW EC STEEL IMPORT CONTROLS ARE CAUSING CONSTERNATION AND GREAT CONFUSION IN AUSTRIAN STEEL CIRCLES AND FURTHER DEPRESSING THIS ALREADY WEAKENED SECTOR OF AUSTRIAN ECONOMY. SHIPMENTS EN ROUTE (LARGELY OF SPECIALTY STEELS) HAVE BEEN STOPPED AND HELD AT FRENCH AND ITALIAN BORDERS-- BUT CONTINUE TO BE PERMITTED ENTRY INTO FRG--AND AUSTRIA'S MAJOR PRODUCER IS NOW HOLDING BACK 20,000-30,000 METRIC TONS WHICH HAD BEEN SCHEDULED FOR DELIVERY TO EC MEMBERS. SINCE EC IS AUSTRIA'S MAJOR STEEL CUSTOMER, ACCOUNTING FOR OVER 50 OF ALL EXPORTS LAST YEAR, DEGREE OF CONCERN IS UNDERSTANDABLE.

2. ON JAN 13, GOA REPS ARE SCHEDULED TO JOIN COUNTER-PARTS FROM OTHER EFTA MEMBER COUNTRIES FOR JOINT DISCUSSION WITH EC AUTHORITIES IN BRUSSELS. FONOFF SOURCE
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TELLS US THIS IS TO BE PRIMARILY TECHNICAL MEETING, PERMITTING EC TO EXPLAIN ITS SYSTEM AND PLANS. NEXT WEEK BILATERAL GOA-EC NEGOTIATIONS ARE SCHEDULED TO WORK OUT ARRANGEMENT FOR SHIPMENTS OVER "SHORT TERM".

3. ALTERNATIVES OPEN TO GOA SEEM TO BE ESSENTIALLY (A) A SPECIAL STATUS ARRANGEMENT WITH THE EC (RELATED TO

ARTICLE 20 OF THE AUSTRIAN-EC AGREEMENT) WHICH WOULD
GUARANTEE A MARKET SHARE BUT AT CONTROLLED PRICES; OR
(B) A NON-PREFERENTIAL ARRANGEMENT INVOLVING NO QUANTI-
TATIVE GUARANTEES BUT ALLOWING GREATER PRICE FLEXIBILITY.
WE SUSPECT GOA WOULD PREFER THE FORMER BUT THERE IS
CLEAR AWARENESS OF THE PROBLEMS INVOLVED SINCE AUSTRIA
PRESUMABLY WOULD HAVE TO INSTITUTE A SIMILAR REGIME FOR
THE MORE THAN 70 PERCENT OF ITS STEEL IMPORTS COMING
FROM THE EC, AND THE EC IS NOT AUSTRIA'S ONLY IMPORTANT
EXPORT MARKET FOR STEEL. THE DETERMINING FACTOR MOST
LIKELY WILL BE THE TERMS THE EC WILL BE WILLING TO OFFER,
AND DESPITE FACT THAT AUSTRIA'S TRADE DEFICIT WITH
THE COMMUNITY IS ALMOST AS LARGE AS ITS EXPORTS TO THAT
AREA, THE EC HAS NOT BEEN GENEROUS IN DEALING WITH
PREVIOUS GOA TRADE PROBLEMS. WOLF

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, STEELS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978VIENNA00223
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780019-0319
Format: TEL
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780170/aaaachaa.tel
Line Count: 77
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0e41fce3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 BRUSSELS 19583
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3785230
Secure: OPEN
Status: NATIVE
Subject: AUSTRIAN/EC STEEL DISCUSSIONS
TAGS: ETRD, EC, AU
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0e41fce3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014